

SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA



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FINANCIAL STATEMENT AUDIT  
ISSUED APRIL 26, 2006

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**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA  
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April 17, 2006

Independent Auditor's Report  
on the Financial Statements

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the system's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the Southern University System. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the system. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this foundation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Southern University System Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Southern University System as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

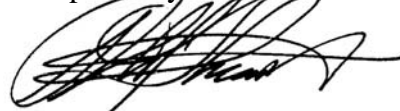
As discussed in note 22 to the financial statements, during August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown what economic impact recovery will have on state and local governmental operations in Louisiana. As further discussed in note 22, the Southern University System sustained significant losses of assets and operational functionality at its New Orleans campus because of Hurricane Katrina. The long-term effects of these events on the Southern University System cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2006, on our consideration of the Southern University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern University System's basic financial statements. The accompanying supplementary information schedules of per diem paid board members and combining financial schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

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[SU05]

### **Overview of the Financial Statements and Financial Analysis**

This document presents Management's Discussion and Analysis (MD&A) and financial statements for the Southern University and A&M College System for fiscal year 2005. The discussion and analysis of the System's financial statements provides a general overview of the financial activities of the System's institutions for the year. The emphasis of discussions about these statements will be on the current year financial data. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System's institutions. The primary financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

### **Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the Southern University System as of the end of fiscal year 2005. The purpose of the Statement of Net Assets is to present to the readers of the financial statements, a fiscal snapshot of the Southern University System. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the notes to the financial statements.

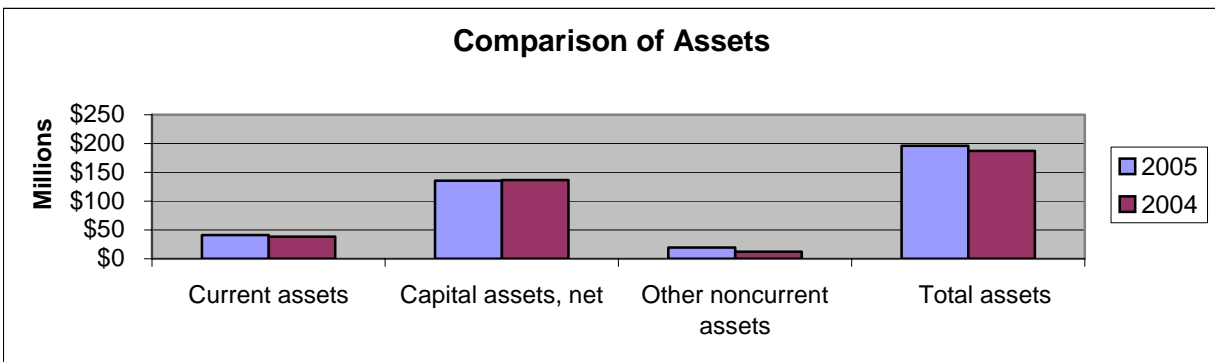
From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the System. They are also able to determine how much the Southern University System's institutions owe vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the institutions.

### **Categories of Net Assets**

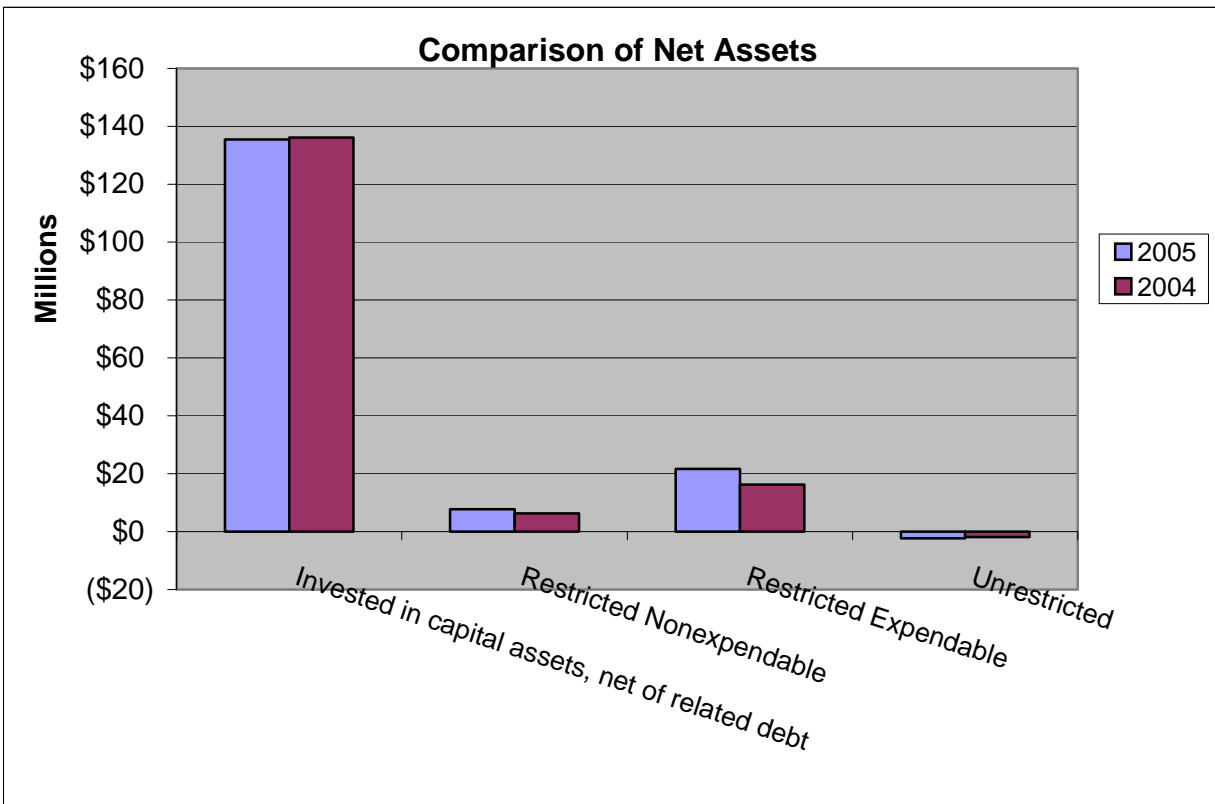
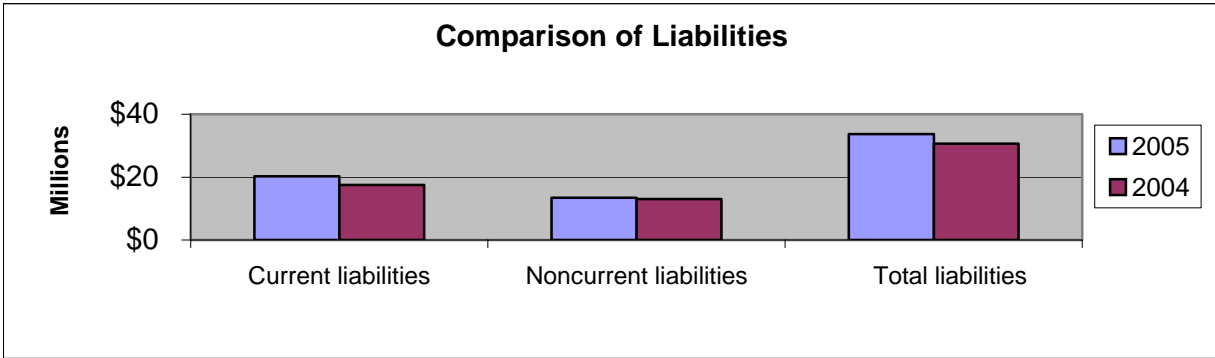
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net assets are available for expenditure by the various institutions but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the institutions of the System to be used for any lawful purpose.

**Comparative Statement of Net Assets  
For the Fiscal Years Ended  
June 30, 2005 and 2004**

	2005	2004	Percent Change
<b>Assets</b>			
Current assets	\$41,172,616	\$38,603,054	7%
Capital assets, net	135,795,029	136,484,136	-1%
Other noncurrent assets	19,203,632	12,267,018	57%
<b>Total assets</b>	<b>196,171,277</b>	<b>187,354,208</b>	<b>5%</b>
<b>Liabilities</b>			
Current liabilities	20,237,784	17,530,426	15%
Noncurrent liabilities	13,402,447	13,056,917	3%
<b>Total liabilities</b>	<b>33,640,231</b>	<b>30,587,343</b>	<b>10%</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	135,439,970	136,083,724	0%
Restricted:			
Nonexpendable	7,783,535	6,312,984	23%
Expendable	21,606,188	16,196,916	33%
Unrestricted	(2,298,647)	(1,826,759)	-26%
<b>Total net assets</b>	<b>\$162,531,046</b>	<b>\$156,766,865</b>	<b>4%</b>







The total assets of the System increased by \$8.8 million, an increase of 5%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all areas of the System's institutions, to better serve the instruction, research and public service missions of the institutions.

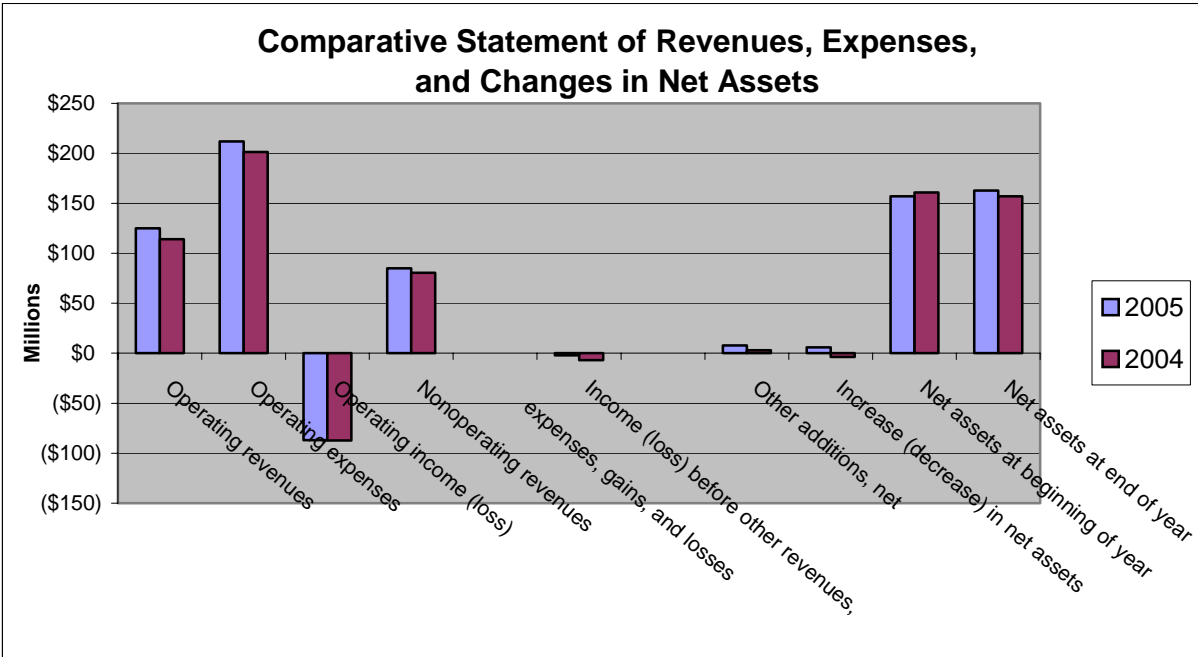
**Statement of Revenues, Expenses, and Changes in Net Assets**

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the System's institutions for both operating and nonoperating purposes. The statement includes any other revenues, gains, expenses or losses that were realized or incurred by the institutions during the fiscal year.

The operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the institutions. Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues.

**Comparative Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Fiscal Years Ended  
June 30, 2005 and 2004**

<u>Items</u>	<u>2005</u>	<u>2004</u>	<u>Percent Change</u>
Operating revenues	\$124,902,652	\$114,095,883	9%
Operating expenses	211,895,907	202,313,085	5%
Operating income (loss)	(86,993,255)	(88,217,202)	1%
Nonoperating revenues	84,978,734	80,375,831	6%
Income (loss) before other revenues, expenses, gains, and losses	(2,014,521)	(7,841,371)	74%
Other additions, net	7,778,702	3,955,948	97%
Increase (decrease) in net assets	5,764,181	(3,885,423)	248%
Net assets at beginning of year (restated)	156,766,865	160,652,288	-2%
Net assets at end of year	\$162,531,046	\$156,766,865	4%



The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with a increase in net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

Beginning the 2001 fall semester, Southern University and Agricultural and Mechanical College at Baton Rouge implemented selective admission for the first time in its history. As expected, the University experienced a modest decline in enrollment. Anticipating this decline, budget adjustments were made to offset the reduction in revenues to maintain a balanced budget. The impact resulting from the budget reductions that were made still poses challenges in the management process, even though the enrollment decline has been stabilized and the University is now experiencing an increase.

The Agricultural Research and Extension Center was appropriated \$1,000,000 by the state from the tobacco funds to support Youth Programs, the SU Museum of Art, and the Historical District. The Center expanded its Youth Programs related to outreach efforts. The SU Museum of Art and the Historical District were also provided support for outreach activities.

The cumulative effects of the University recording depreciation on capital assets and making a change in the recognition of summer session revenues are reflected in the financial statements. The changes were made to comply with the Governmental Accounting Standards Board's Statements 34 and 35 and the directives issued by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for the State of Louisiana.

**Capital Assets and Debt Administration**

The combined total of capital assets, net of accumulated depreciation at year-end, is \$135,795,029.

The Southern University System’s institutions retired \$45,353 in bonds payable during the fiscal year. The System did not enter into any new long-term debt during the year. The total amount of long-term debt is \$13,402,447. Included in that sum are the following:

- Compensated Absences Payable - \$13,095,741
- Bonds Payable - \$306,706

For additional information concerning Capital Assets and Debt Amortization, refer to note 13 in the Notes to the Financial Statements.

**Budgetary Practices**

The annual budget for the General Fund of the University is established by annual legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Southern University Board of Supervisors, the Louisiana Board of Regents, and other external bodies is required in the budgetary process. The other funds of the University, although subject to internal budgeting, are not required to be submitted for approval through the legislative budget process. State law provides that appropriations lapse at the end of the fiscal year. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting with certain exceptions as described in the notes.

The following is a budgetary comparison for current year General Fund appropriation:

**Budgetary Comparison for General Fund Appropriation  
For the Year Ended June 30, 2005**

	Original	Final	Actual	Adjustment to Budget Basis	Actual on Budget Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Appropriated by legislature:						
State General Fund (direct)	\$75,241,837	\$74,067,737	\$74,098,642	\$250	\$74,098,892	\$31,155
State General Fund by self-generated revenues	49,877,190	50,260,060	45,181,544	7,537,320	52,718,864	2,458,804
State General Fund by self-interagency transfers	1,897,411	1,930,612	1,704,199		1,704,199	(226,413)
Federal funds	2,691,700	2,691,700	2,425,465		2,425,465	(266,235)
Other	4,649,434	4,811,533	4,811,533	727,732	5,539,265	727,732
Total revenues	<u>134,357,572</u>	<u>133,761,642</u>	<u>128,221,383</u>	<u>8,265,302</u>	<u>136,486,685</u>	<u>2,725,043</u>
<b>EXPENDITURES</b>						
Program expenditures	<u>134,357,572</u>	<u>133,761,642</u>	<u>128,246,544</u>	<u>7,210,807</u>	<u>135,457,351</u>	<u>(1,695,709)</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>						
	<u>NONE</u>	<u>NONE</u>	<u>(\$25,161)</u>	<u>\$1,054,495</u>	<u>\$1,029,334</u>	<u>\$1,029,334</u>

**Economic Outlook - Short Term**

The System's overall financial position is strong, even though the financial statements do not show this. The decrease in unrestricted net assets show results from the reporting requirements that were promulgated for public colleges and universities by the Governmental Accounting Standards Board's Statements 34 and 35.

The System's institutions have experienced an increase in enrollment. The increase in enrollment at the institutions has resulted in an increase in self-generated revenues. Cost cutting measures were implemented to ensure the financial stability of any institutions affected by a decline in enrollment during prior years.

Even with relatively flat funding from state sources for the fiscal year 2005 and an increase in enrollment, the System had a modest increase in net assets. The System's management anticipates that the current fiscal year will be much like fiscal year 2005, except for Southern University at New Orleans as noted below, and it will maintain a close watch over available resources of the System to ensure the System's ability to react to unknown internal and external issues in a timely manner.

The Southern University System has three geographically distinct institutions which include the Southern University and Agricultural and Mechanical College, Southern University Law Center, and Southern University Agricultural Research and Extension Center in Baton Rouge, Southern University at New Orleans, and Southern University at Shreveport. The Southern University at New Orleans campus suffered damages because of Hurricane Katrina. The Southern University System management will assess the damages to the New Orleans campus facilities to determine the impact the hurricane will have on the institution's short-term economic outlook, as soon as management is permitted access to the campus by the New Orleans authorities.

### **Implementation of Enrollment Management Programs and Activities**

Aggressive steps are being taken to implement enrollment management programs and activities at each of the institutions that have academic programs. Assistance in the form of financial support and professional consultants has been provided to the four-year institutions to aid in the achievement of designated enrollment management goals.

### **Economic Outlook - Long-Term**

There is concern within the University System regarding adequate and continuous funding to support programs that are being implemented under the United States versus State of Louisiana Settlement Agreement. The Southern University System received \$4.1 million to support implementation of the programs during fiscal year 2005. The funds were distributed among the Southern University System - Board and Administration, Southern University Agricultural and Mechanical College, and Southern University at New Orleans in the amounts of \$108,331, \$2,433,725, and \$1,556,944, respectively. The Agreement is scheduled to expire on the 31<sup>st</sup> day of December 2005. A firm commitment is needed regarding funding, upon expiration of the Desegregation Settlement Agreement, so that stability and program productivity can be maintained. The lack of a firm commitment regarding continuous funding leads to speculation, which has a negative impact on the desired outcomes at the institutions responsible for the programs.

A major portion of the Agricultural Research and Extension Center's base funding comes from a federal appropriation that has a state match requirement. Currently, both the amount of the federal appropriation and the percent of matching requirement established by the federal government have remained stable. The matching requirement has gone from zero dollars in fiscal year 1999 to not less than 50% of the federal funds currently received for agricultural research, extension, and education.

An agreement was reached between the state's land-grant institutions for settling land grant issues relative to programs and funding. The agreement has not been approved at all required levels. Once the agreement receives final approval and the required funding is provided, research and outreach programs envisioned will be implemented and maintained.

The Southern University System has provided assistance to current students at the New Orleans campus by allowing students that could be eligible to take classes, the opportunity to attend classes at the other two campuses. The New Orleans campus normally accounts for approximately 23% of the System's total enrollment. Storm-related damage at the Southern University and Agricultural and Mechanical College in Baton Rouge was relatively minor as compared to damages sustained by the Southern University New Orleans campus.

There remains some uncertainty at this time regarding the extent of long-term financial implications of the hurricane for Southern University at New Orleans as well as the Southern University System.

The Southern University System is currently in the process of obtaining financing for various capital projects through a third party financing arrangement with its affiliate, the Southern University System Foundation.

The Southern University System is eager to implement an up-to-date comprehensive computerized accounting system known as BANNER, on all of the campuses. BANNER, which was developed by SunGard SCT, consists of the Financial, Human Resource (HR)/Payroll and Student/Financial Aid components. The entire group of BANNER applications is scheduled to be implemented within a three-year time frame. Currently, the Student and Financial Aid components have been implemented on the Shreveport campus. These components will be implemented individually on the three major campus sites; however, the Financial and HR/Payroll will be housed on the Baton Rouge campus computer and made accessible to all campuses throughout the Southern University System.

### **Contacting the Southern University System's Management**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the Southern University System's finances and to show the Southern University System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tolor White, System Vice President of Finance and Business Affairs and Comptroller at Southern University and Agricultural and Mechanical College, 4<sup>th</sup> Floor, J.S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5550.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA****Statement of Net Assets  
June 30, 2005****ASSETS**

## Current assets:

Cash and cash equivalents (note 2)	\$21,981,562
Receivables (net) (note 4)	17,662,244
Inventories	254,902
Deferred charges and prepaid expenses	693,858
Notes receivable (net) (note 5)	465,835
Other current assets	114,215
Total current assets	<u>41,172,616</u>

## Noncurrent assets:

Restricted cash and cash equivalents (note 2)	15,109,526
Restricted investments (note 3)	4,094,106
Capital assets (net) (note 6)	135,795,029
Total noncurrent assets	<u>154,998,661</u>
Total assets	<u>196,171,277</u>

**LIABILITIES**

## Current liabilities:

Accounts payable and accruals (note 12)	11,445,326
Deferred revenues (note 11)	6,015,396
Compensated absences (note 10)	461,189
Amounts held in custody for others	902,844
Bonds payable - current portion (note 13)	48,353
Other current payables	1,364,676
Total current liabilities	<u>20,237,784</u>

## Noncurrent liabilities:

Compensated absences (note 10)	13,095,741
Bonds payable (note 13)	306,706
Total noncurrent liabilities	<u>13,402,447</u>
Total liabilities	<u>33,640,231</u>

(Continued)

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The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Net Assets, 2005**

<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$135,439,970
Restricted for:	
Nonexpendable (note 16)	7,783,505
Expendable (note 16)	21,606,188
Unrestricted	<u>(2,298,617)</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$162,531,046</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA****SOUTHERN UNIVERSITY SYSTEM FOUNDATION  
Statement of Financial Position  
December 31, 2004****ASSETS**

## Current assets:

Cash and cash equivalents	\$2,810,884
Certificates of deposit	399,606
Receivables (note 4)	301,836
Due from affiliate	56,779
Due from Millennium Housing, LLC	1,894,013
Other assets	19,130
Unconditional promises to give (net allowance of \$24,700)	182,295

## Restricted assets:

Cash and cash equivalents	348,816
Certificates of deposit	147,663
Investments (note 3)	2,659,693
Total current assets	<u>8,820,715</u>

## Noncurrent assets:

Unconditional promises to give	40,000
Fixed assets (net of accumulated depreciation of \$573,385) (note 6)	2,767,199
Total noncurrent assets	<u>2,807,199</u>

**TOTAL ASSETS**11,627,914**LIABILITIES**

## Current liabilities:

Accounts payable and accrued liabilities	\$414,303
Accrued interest payable	10,787
Payroll taxes payable	3,978
Due to affiliate (note 21)	3,192,910
Line of credit	670,000
Notes payable (note 13)	74,138
Bonds payable - current portion (note 14)	170,000
Total current liabilities	<u>4,536,116</u>

(Continued)

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The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
SOUTHERN UNIVERSITY SYSTEM FOUNDATION  
Statement of Financial Position, 2004**

**LIABILITIES (CONT.)**

Noncurrent liabilities:

Notes payable (note 13)	\$1,876,824
Bonds payable (note 14)	<u>1,360,000</u>
Total noncurrent liabilities	<u>3,236,824</u>
Total liabilities	<u>7,772,940</u>

**NET ASSETS**

Unrestricted	\$120,081
Temporarily restricted (note 16)	2,195,109
Permanently restricted (note 16)	<u>1,539,784</u>
Total net assets	<u>3,854,974</u>

**TOTAL LIABILITIES AND NET ASSETS** \$11,627,914

(Concluded)

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2005**

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$15,416,166)	\$37,186,718
Federal appropriations	2,424,681
Federal grants and contracts	65,054,715
State and local grants and contracts	2,119,786
Sales and services of educational departments	2,494
Auxiliary enterprise revenues (net of scholarship allowances of \$2,073,269)	13,405,788
Other operating revenues	4,708,470
<b>Total operating revenues</b>	<u>124,902,652</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	56,233,317
Research	6,382,721
Public service	6,841,595
Academic support	28,252,955
Student services	15,650,467
Institutional support	35,148,534
Operation and maintenance of plant	17,095,228
Depreciation	8,475,605
Scholarships and fellowships	23,349,706
Auxiliary enterprises	13,886,327
Other operating expenses	579,452
<b>Total operating expenses</b>	<u>211,895,907</u>

**OPERATING LOSS** (86,993,255)

(Continued)

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses, and  
Changes in Net Assets, 2005**

<b>NONOPERATING REVENUES (Expenses)</b>	
State appropriations	\$78,795,845
Gifts	1,016,413
Investment income	902,635
Interest expense	(53,938)
Other nonoperating revenues	4,317,779
<b>Net nonoperating revenues</b>	<u>84,978,734</u>
<b>Loss before other revenues and expenses</b>	(2,014,521)
Capital appropriations	4,272,856
Capital grants and gifts	1,056,594
Additions to permanent endowment	989,696
Other additions, net	<u>1,459,556</u>
<b>INCREASE IN NET ASSETS</b>	5,764,181
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>156,766,865</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$162,531,046</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION  
Statement of Activities  
For the Six Months Ended December 31, 2004**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions and other support	\$23,563	\$2,467,455	\$243,360	\$2,734,378
Interest income	11,250	3,645		14,895
Other income	95,402			95,402
Other program support		54,497		54,497
In-kind revenue (note 23)	81,774			81,774
Net assets released from restrictions - satisfaction of program restrictions	2,522,713	(2,345,734)	(176,979)	
Total revenues and other support	<u>2,734,702</u>	<u>179,863</u>	<u>66,381</u>	<u>2,980,946</u>
<b>EXPENSES</b>				
Program	2,109,403			2,109,403
General	633,366			633,366
Fundraising	4,864			4,864
Total expenses	<u>2,747,633</u>	<u>NONE</u>	<u>NONE</u>	<u>2,747,633</u>
<b>Changes in net assets</b>	(12,931)	179,863	66,381	233,313
<b>Net assets - beginning of year</b>	<u>133,012</u>	<u>2,015,246</u>	<u>1,473,403</u>	<u>3,621,661</u>
<b>Net assets - end of year</b>	<u>\$120,081</u>	<u>\$2,195,109</u>	<u>\$1,539,784</u>	<u>\$3,854,974</u>

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$35,905,694
Grants and contracts	71,387,245
Payments to suppliers	(29,438,723)
Payments for utilities	(8,358,162)
Payments to employees	(107,839,027)
Payments for benefits	(24,088,974)
Payments for scholarships and fellowships	(27,370,581)
Loans issued to students and employees	(36,535)
Auxiliary enterprise charges	13,821,149
Sales and services of educational departments	2,494
Other receipts	2,219,646
<b>Net cash used by operating activities</b>	<u>(73,795,774)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

State appropriations	78,795,845
Gifts and grants for other than capital purposes	930,516
Private gifts for endowment purposes	989,696
TOPS receipts	1,800,931
TOPS disbursements	(1,598,404)
Federal Family Education Loan program receipts	83,011,028
Federal Family Education Loan program disbursements	(83,011,028)
Other receipts	1,568,855
<b>Net cash provided by noncapital financing sources</b>	<u>82,487,439</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Capital appropriations received	4,272,856
Capital grants and gifts received	1,056,594
Purchases of capital assets	(3,053,696)

(Continued)

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows, 2005**

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: (CONT.)**

Principal paid on capital debt and leases	(\$45,353)
Interest paid on capital debt and leases	(53,938)
<b>Net cash provided by capital financing activities</b>	<b>2,176,463</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received on investments	878,337
Purchase of investments	(370,244)
<b>Net cash provided for investing activities</b>	<b>508,093</b>

<b>Net increase in cash and cash equivalents</b>	11,376,221
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<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	25,714,867
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$37,091,088</b>
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**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED BY OPERATING ACTIVITIES:**

Operating loss	(\$86,993,255)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,475,605
Changes in assets and liabilities:	
Decrease in accounts receivable (net)	605,469
Decrease in due from federal government	1,476,840
(Increase) in inventories	(32,531)
Decrease in prepaid expenses	146,415
(Increase) in other assets	(105,676)
Increase in accounts payable	2,588,670
(Decrease) in deferred revenue	(225,660)
Increase in compensated absences	381,699
(Decrease) in other liabilities	(113,350)
<b>Net cash used by operating activities</b>	<b>(\$73,795,774)</b>

(Concluded)

The accompanying notes are an integral part of the financial statements.

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## INTRODUCTION

The Southern University System is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively.

The universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the university's Law Center. During the summer, fall, and spring semesters of the 2004-2005 fiscal year, the university conferred 2,350 degrees and student enrollment was 37,232. Southern University has 699 faculty members.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

**B. REPORTING ENTITY**

The GASB, Code Section 2100, has defined the governmental reporting entity to be the State of Louisiana. The university system is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Southern University System, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

The Southern University System Foundation (Foundation) is being included as a discretely presented component unit of the system in the system's financial statements, in accordance with the criteria outlined in GASB Statement No. 14, as amended by GASB Statement No. 39. The Foundation is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System and to develop, expand, and improve the system's facilities. The Foundation changed its fiscal year-end from June 30 to December 31 during 2004.

Other external auditors audited the Foundation for the six months ended December 31, 2004. To obtain a copy of the audit report, write to:

Southern University System Foundation  
P.O. Box 2468  
Baton Rouge, Louisiana 70821

**C. BASIS OF ACCOUNTING**

For financial reporting purposes, the system is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the system's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The system has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The system has elected to not apply FASB pronouncements issued after the applicable date. However, in the current fiscal year, the system has included a nonprofit corporation, the Southern University System Foundation, as a discrete component unit.

The Foundation has adopted the provisions of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, the accounting and presentation criteria for the Foundation are in accordance with FASB 117, which may differ from GASB.

**D. BUDGET PRACTICES**

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase.

**E. CASH AND CASH EQUIVALENTS  
AND INVESTMENTS**

The system defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits. Under state law, the system may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the system may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all negotiable certificates of deposit, regardless of maturity. These terms are also used in preparing the Statement of Cash Flows.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the system is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. Investments maintained in investment accounts in the Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

**F. INVENTORIES**

Inventories are valued at the lower of cost or market on the weighted-average basis. The system uses periodic and perpetual inventory systems and accounts for its inventories using the consumption method.

**G. RESTRICTED CASH AND INVESTMENTS**

Cash that is externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is reported as noncurrent restricted assets. Noncurrent restricted investments consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. Some cash and all investments are classified as noncurrent assets in the Statement of Net Assets.

**H. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the institution's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million is also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of \$5,000,000 or more will be capitalized and depreciated.

**I. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**J. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the classified employee's hourly rate of pay at termination or transfer.

**K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable with maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets. Revenue bonds payable are reported at face value.

**L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The system provides certain continuing health care and life insurance benefits for its retired employees. The system recognizes the cost of providing these retiree benefits as an expense when paid during the year.

**M. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) Invested in capital assets, net of related debt consists of the system's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- (c) Restricted - expendable consist of resources that the system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) Unrestricted consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of each university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the system's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

#### **N. CLASSIFICATION OF REVENUES**

The system has classified its revenues as either operating or nonoperating according to the following criteria:

- (a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts and federal appropriations.
- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

#### **O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by each university and the amount that is paid by students and/or third parties making payments on the students' behalf.



**FOUNDATION**

**ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION AND PURPOSE**

The Southern University System Foundation (Foundation) is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System and to develop, expand, and improve the university's facilities. As a result of new state reporting requirements, the Foundation has changed its fiscal year-end from June 30 to December 31, and this report represents six months of activity.

**B. TAX EXEMPTION STATUS**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**C. BASIS OF REPORTING**

The Foundation is a nonprofit organization whose financial statements are prepared on the accrual basis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**D. FINANCIAL STATEMENT PRESENTATION**

The Foundation has adopted the provision of FASB's Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of the Foundation are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income, and gifts and contributions for which donor-imposed restrictions (capital improvements, et cetera) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until used for donor-imposed restrictions.

**E. PROMISES TO GIVE**

Unconditional promises to give are recognized as contribution revenue and receivables in the period in which the promise is received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at the present value of their estimated future cash flows if they are expected to be collected in more than one year. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**F. INVESTMENT AND INVESTMENT INCOME**

Investments in equity securities and mutual funds are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in the due to affiliate liability account as the investments are held on behalf of the university.

**G. CONTRIBUTIONS**

The Foundation accounts for contributions in accordance with the requirements of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received.

**H. CASH AND CASH EQUIVALENTS**

Cash consists solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents for purposes of the Statement of Cash Flows.

**I. FIXED ASSETS**

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. The Foundation follows the practice of capitalizing all fixed asset purchases that exceed \$1,000.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are five to 39 years.

**J. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**K. RESTRICTED ASSETS**

Cash and cash equivalents, certificates of deposit, and investments that are held on behalf of the university are classified as restricted assets in the Statement of Financial Position.

**L. NONCURRENT LIABILITIES**

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2005, the system has cash and cash equivalents (book balances) totaling \$37,091,088 as follows:

Petty cash	\$5,500
Cash in State Treasury	665,850
Demand deposits:	
Noninterest-bearing	26,178,603
Interest-bearing	3,625,975
Time certificates of deposit	<u>6,615,160</u>
 Total	 <u><u>\$37,091,088</u></u>

These cash and cash equivalents are reported as follows on the Statement of Net Assets:

Current assets	\$21,981,562
Noncurrent assets - restricted	<u>15,109,526</u>
 Total	 <u><u>\$37,091,088</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the system's deposits may not be returned to it. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2005, the system has \$40,519,278 in deposits (collected bank balances) secured by federal deposit insurance and pledged securities.

### FOUNDATION CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by \$2,801,911 as of December 31, 2004.

### 3. INVESTMENTS

At June 30, 2005, the system has investments (noncurrent-restricted assets) totaling \$4,094,106 as follows:

	Fair Value June 30, 2005	Investment Maturities
U.S. government securities	\$54,459	Less than 1 year
Mutual funds	874,832	
Investments held by private foundations (uncategorized)	<u>3,164,815</u>	
 Total	 <u><u>\$4,094,106</u></u>	

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## NOTES TO THE FINANCIAL STATEMENTS

These investments are reported at fair value as required by GASB Statement No. 31. Investments held by the foundation are in an external investment pool and managed in accordance with the terms outlined in a management agreement executed between the system and the Foundation. The system is a voluntary participant in the agreement.

For the monies held by the foundations totaling \$3,164,815 and mutual funds totaling \$874,832, there are no credit quality ratings. The investments held by private foundations totaling \$3,164,815 are held pursuant to the Eminent Scholars and Endowed Professorships Program. For that program, the investment policy established by the Louisiana Board of Regents limits the investment of fixed income securities to a maximum investment of 15% in quality ratings between AA and BB, while the overall average quality must be at least AA. For the remaining investments, there is no formally adopted investment policy regarding the acceptable credit quality of investments. The system has no investments that are highly sensitive to changes in interest rates. No interest rate risk is disclosed. The system has no deposits or investments that are subject to foreign currency risk.

### FOUNDATION INVESTMENTS

Investments as of December 31, 2004, and held on behalf of the university are summarized as follows:

	<u>Cost</u>	<u>Fair/Carrying Value</u>
Temporarily and permanently restricted - equity and fixed income	\$1,789,013	\$2,659,693

#### 4. RECEIVABLES

Receivables are shown on Statement A net of an allowance for doubtful accounts as follows:

	<u>Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Receivables (Net)</u>
Student tuition and fees	\$3,793,218	\$654,296	\$3,138,922
Auxiliary enterprises	1,221,716	3,636	1,218,080
Federal, state, and private grants and contracts	11,333,848	4,441	11,329,407
Other	1,990,985	15,150	1,975,835
Total	<u>\$18,339,767</u>	<u>\$677,523</u>	<u>\$17,662,244</u>

There is no noncurrent portion of accounts receivable.

**FOUNDATION RECEIVABLES**

Receivables consist of amounts due from Bayou Classic related events as well as an amount due from a third party which resulted from a questionable transaction. An allowance for doubtful collections has also been recorded for the entire balance of the amount due from the third party.

Receivables consist of the following:

Bayou Classic related events	\$295,000
Third party	178,000
Other	<u>6,836</u>
Subtotal	479,836
Less - Allowance for doubtful collections	<u>(178,000)</u>
Receivables net of allowance for doubtful accounts	<u><u>\$301,836</u></u>

**5. NOTES RECEIVABLE**

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and Student Government Association loans. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. Student Government Association loans are funded from self-assessed student fees and are available to qualified students for books and emergency financial needs.

Notes receivable are shown on Statement A net of an allowance for doubtful accounts at June 30, 2005. These receivables are composed of the following:

	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Notes Receivable (Net)</u>
Federal Perkins Loan program	\$2,424,753	\$2,424,753	
Student Government Association loans	465,835		\$465,835
Long-term student loans (Shreveport)	<u>105,065</u>	<u>105,065</u>	
Total	<u><u>\$2,995,653</u></u>	<u><u>\$2,529,818</u></u>	<u><u>\$465,835</u></u>

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**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ending June 30, 2005, is as follows:

	Restated Balance June 30, 2004	Adjustment	Adjusted Balance July 1, 2004
Capital assets not being depreciated:			
Land	\$6,921,846		\$6,921,846
Construction-in-progress	9,493,904		9,493,904
	<u>\$16,415,750</u>	NONE	<u>\$16,415,750</u>
Capital assets being depreciated:			
Infrastructure	\$23,184,000		\$23,184,000
Less accumulated depreciation	(21,966,840)		(21,966,840)
Total infrastructure	<u>1,217,160</u>	NONE	<u>1,217,160</u>
Land improvements	3,269,008		3,269,008
Less accumulated depreciation	(2,502,960)		(2,502,960)
Total land improvements	<u>766,048</u>	NONE	<u>766,048</u>
Buildings	211,720,013		211,720,013
Less accumulated depreciation	(101,826,996)		(101,826,996)
Total buildings	<u>109,893,017</u>	NONE	<u>109,893,017</u>
Equipment	30,407,747	(570,774)	29,836,973
Less accumulated depreciation	(23,809,781)	982,470	(22,827,311)
Total equipment	<u>6,597,966</u>	411,696	<u>7,009,662</u>
Library books	117,656,194		117,656,194
Less accumulated depreciation	(116,061,999)		(116,061,999)
Total library books	<u>1,594,195</u>	NONE	<u>1,594,195</u>
	<u>\$120,068,386</u>	411,696	<u>\$120,480,082</u>
Capital assets summary:			
Capital assets not being depreciated	\$16,415,750		\$16,415,750
Capital assets being depreciated	386,236,962	(\$570,774)	385,666,188
Total cost of capital assets	<u>402,652,712</u>	(570,774)	<u>402,081,938</u>
Less accumulated depreciation	(266,168,576)	982,470	(265,186,106)
Capital assets, net	<u>\$136,484,136</u>	\$411,696	<u>\$136,895,832</u>



NOTES TO THE FINANCIAL STATEMENTS

Additions	Transfers	Retirements	Balance June 30, 2005
			\$6,921,846
\$4,934,619	(\$775,415)	(\$578,047)	13,075,061
\$4,934,619	(\$775,415)	(\$578,047)	\$19,996,907
			\$23,184,000
(\$173,880)			(22,140,720)
(173,880)	NONE	NONE	1,043,280
			3,269,008
(51,737)			(2,554,697)
(51,737)	NONE	NONE	714,311
100,105	\$775,415		212,595,533
(4,696,363)			(106,523,359)
(4,596,258)	775,415	NONE	106,072,174
2,155,134		(\$4,991,134)	27,000,973
(2,103,675)		4,929,338	(20,001,648)
51,459	NONE	(61,796)	6,999,325
1,214,475			118,870,669
(1,839,638)			(117,901,637)
(625,163)	NONE	NONE	969,032
(\$5,395,579)	\$775,415	(\$61,796)	\$115,798,122
\$4,934,619	(\$775,415)	(\$578,047)	\$19,996,907
3,469,714	775,415	(4,991,134)	384,920,183
8,404,333	NONE	(5,569,181)	404,917,090
(8,865,293)	NONE	4,929,338	(269,122,061)
(\$460,960)	NONE	(\$639,843)	\$135,795,029

**FOUNDATION FIXED ASSETS**

Land, building, and equipment as of December 31, 2004, are summarized as follows:

Land	\$552,973
Building	172,125
Office equipment	15,330
Scoreboard equipment	2,555,611
Furniture and fixtures	44,545
Total	<u>3,340,584</u>
Less - accumulated depreciation	<u>(573,385)</u>
Total	<u><u>\$2,767,199</u></u>

Depreciation expense totaled \$131,139 for the six months ended December 31, 2004.

**7. PENSION PLANS**

*Plan Description.* Substantially all employees of the system are members of two statewide, public-employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are generally members of the Louisiana State Employees Retirement System (LASERS). TRS is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems; employee benefits vest with TRS after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

*Funding Policy.* The contribution requirements of plan members and the system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.5% of covered salaries to TRS and 17.8% of covered salaries to LASERS for fiscal year 2005. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRS for the years ended June 30, 2005, 2004, and 2003 were \$7,073,853, \$6,109,240, and \$5,391,837, respectively, and to LASERS for the years ended June 30, 2005, 2004, and 2003 were

\$4,548,788, \$3,883,734, and \$3,287,238, respectively, equal to the required contributions for each year.

## **8. OPTIONAL RETIREMENT SYSTEM**

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the system are 15.5% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer contributions to the optional retirement plan totaled \$3,238,949 for the year ended June 30, 2005.

## **9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The system provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the system's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the system. The system recognizes the cost of providing these benefits to retirees (system's portion of premiums) as an expense when paid during the year. Benefits for 594 retirees totaled \$3,003,562 for the year ended June 30, 2005.

**10. COMPENSATED ABSENCES**

At June 30, 2005, employees of the system have accumulated and vested annual leave, sick leave, and compensatory leave of \$8,856,226, \$4,585,800, and \$114,904, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**11. DEFERRED REVENUES**

The following is a summary of deferred revenues at June 30, 2005:

<u>Account Name</u>	<u>Amount</u>
Prepaid tuition and fees	\$2,268,383
Prepaid athletic ticket sales	748,703
Prepaid vending	7,546
Grants and contracts	<u>2,990,764</u>
Total deferred revenues	<u><u>\$6,015,396</u></u>

**12. ACCOUNTS PAYABLE AND ACCRUALS**

The following is a summary of payables at June 30, 2005:

<u>Account Name</u>	<u>Amount</u>
Vendor payables	\$4,219,991
Accrued salaries and payroll deductions	6,169,328
Other	<u>1,056,007</u>
Total payables	<u><u>\$11,445,326</u></u>

**13. LONG-TERM LIABILITIES**

The following is a summary of bonds and reimbursement contracts payable and other long-term transactions of the system for the year ended June 30, 2005:

	<u>Balance,</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2005</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Reimbursement contract and revenue bonds payable	\$400,412		\$45,353	\$355,059	\$48,353
Compensated absences payable (note 10)	<u>13,175,231</u>	<u>\$381,699</u>		<u>13,556,930</u>	<u>461,189</u>
Total long-term liabilities	<u><u>\$13,575,643</u></u>	<u><u>\$381,699</u></u>	<u><u>\$45,353</u></u>	<u><u>\$13,911,989</u></u>	<u><u>\$509,542</u></u>

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## NOTES TO THE FINANCIAL STATEMENTS

The additions and reductions to compensated absences during the fiscal year ended June 30, 2005, represent the net change during the years because the additions and deductions could not readily be determined.

### FOUNDATION NOTES PAYABLE

The following is a summary of notes payable at December 31, 2004:

Note payable to a bank, secured by certain investments held by the Foundation, on behalf of the Southern University System, with an interest rate of 4.75% with a maturity date of March 31, 2006. The note calls for interest only payments until maturity.	\$1,600,000
Note payable to a bank, secured by the scoreboard equipment, with an interest rate of 7.5%, with a maturity date of February 15, 2007.	70,000
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013.	<u>280,962</u>
Total notes payable	1,950,962
Less - current portion	<u>(74,138)</u>
Total long-term portion	<u><u>\$1,876,824</u></u>

Scheduled principal payments due on the above notes payable subsequent to December 31, 2004, are as follows:

<u>Year Ending December 31.</u>	
2005	\$1,655,120
2006	56,925
2007	38,860
2008	30,934
2009	33,157
Subsequent to 2009	<u>135,966</u>
Total	<u><u>\$1,950,962</u></u>

Interest expense for the six months ended December 31, 2004, totaled \$12,172.

**14. BONDS AND REIMBURSEMENT  
CONTRACTS PAYABLE**

Bonds and reimbursement contracts payable consisted of the following for the year ended June 30, 2005:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2004</u>
A.W. Mumford Stadium Track Resurfacing Bonds Series 1993	November 1, 1993	\$650,000	\$371,000
Reimbursement Contract - Reroofing Dunn Hall	February 1, 1991	\$125,002	<u>29,412</u>
Total			<u><u>\$400,412</u></u>

The scheduled maturities of the bonds and reimbursement contract at June 30, 2005, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$48,353	\$24,441
2007	51,353	21,274
2008	54,353	17,838
2009	51,000	14,089
2010	55,000	9,966
2011-2013	<u>95,000</u>	<u>12,329</u>
Total	<u><u>\$355,059</u></u>	<u><u>\$99,937</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

<u>Redeemed</u>	<u>Outstanding June 30, 2005</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2005</u>
\$38,000	\$333,000	2013	7.0-8.5%	\$99,937
<u>7,353</u>	<u>22,059</u>	2007		<u>NONE</u>
<u>\$45,353</u>	<u>\$355,059</u>			<u>\$99,937</u>

The following is a summary of the debt service reserve requirements of the bond issue outstanding at June 30, 2005:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
	<u>          </u>	<u>          </u>	<u>          </u>
A.W. Mumford Track Project	\$55,500	\$53,979	\$1,521

**FOUNDATION REVENUE BONDS PAYABLE**

On May 19, 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,700,000 of Revenue Bonds, Series 2003 to the Foundation. The proceeds of the bonds were used for the purpose of funding a new entrance marquee and new athletic scoreboards on and adjacent to the campus of Southern University and Agricultural and Mechanical College and paying the costs of issuance of the Series 2003 bonds. The bond agreement provides for interest on the outstanding bonds at a rate of 5.64% per annum. The bonds are due in annual principal installments of \$170,000, beginning February 15, 2004, and ending February 15, 2007, with a balloon principal payment of \$1,190,000.

The requirements to amortize the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2005	\$170,000
2006	170,000
2007	<u>1,190,000</u>
Total	<u><u>\$1,530,000</u></u>

Interest expense for the six months ended December 31, 2004, totaled \$44,488.

**15. LEASE OBLIGATIONS**

**Operating Leases**

For the year ended June 30, 2005, total operating lease expenditures is \$1,513,843. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2005:



## NOTES TO THE FINANCIAL STATEMENTS

Nature of Operating Lease	2006	2007	2008	2009	Total Minimum Payments Required
Office space	\$518,566	\$122,000	\$122,000	\$122,000	\$884,566
Equipment	654,243	654,243	191,126		1,499,612
Other	277,096				277,096
<b>Total</b>	<b>\$1,449,905</b>	<b>\$776,243</b>	<b>\$313,126</b>	<b>\$122,000</b>	<b>\$2,661,274</b>

The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. The system has no capital leases.

### **Lessor Leases**

The system's leasing operations consist primarily of leasing property for the purposes of providing food services to students and bookstore operations.

The following schedule provides an analysis of the cost and carrying amount of the system's investment in property on operating leases and property held for lease as of June 30, 2005:

Nature of Lease	Cost	Accumulated Depreciation	Carrying Amount
Office space	\$3,994,129	\$2,864,630	\$1,129,499

As of June 30, 2005, the minimum future rentals for the leases for fiscal year 2006 was \$1,224,723.

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals amounted to \$150,109 for the year ended June 30, 2005.

## **FOUNDATION LEASE OBLIGATIONS**

### **Lease Agreement**

On May 15, 2003, the Foundation (lessor) entered into an equipment lease agreement with the Board of Supervisors for Southern University and Agricultural and Mechanical College (the lessee) to lease the football and basketball scoreboards, twin signs located on either side of the baseball scoreboard and a front entrance marquee with all ancillary equipment. This lease shall

be and continued in full force and effect for a term beginning on the effective date of the agreement and ending upon termination of the premises lease, at which time the lessee shall be granted all rights, title, and interest as owner in and to the equipment in accordance with the premises lease. The lease calls for rent of \$1 per year.

**16. RESTRICTED NET ASSETS**

The system has the following restricted net assets at June 30, 2005:

Nonexpendable - endowments	<u>\$7,783,505</u>
Expendable:	
Gifts, grants, and contracts	\$8,445,007
Endowment income	1,656,657
Student fees	5,059,271
Student loans	859,095
University plant projects	4,828,512
Debt service requirements	<u>757,646</u>
Total expendable	<u>\$21,606,188</u>

**FOUNDATION NET ASSETS**

Temporarily restricted net assets as of December 31, 2004, are available to support the system in the following general areas:

Scholarships and educational assistance	\$197,144
Academic support and enrichment	1,851,753
Capital outlay and improvements	<u>146,212</u>
Total	<u>\$2,195,109</u>

Permanently restricted net assets as of December 31, 2004, are restricted for investment in perpetuity, the income from which is expendable to support the activities listed below:

Chairs and professorships	\$689,860
Scholarships and educational assistance	<u>849,924</u>
Total	<u>\$1,539,784</u>

**17. CONTINGENT LIABILITIES  
AND RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund.

The system is involved in three lawsuits at June 30, 2005. In the opinion of legal counsel of the system, the total dollar amount of potential liability in presently prosecuted actions where there is a probable likelihood that an asset of the state has been impaired or a liability has been incurred as of June 30, 2005, is \$21,500. Any losses resulting from these lawsuits would be paid by the Office of Risk Management or through General Fund appropriations.

**18. RELATED PARTY TRANSACTIONS**

During fiscal year ended June 30, 2005, the system had a relationship with the Foundation. The Foundation has a cooperative endeavor with the system to promote activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

**19. DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2005, net appreciation of donor restricted endowments is equal to \$1,661,691, which is available to be spent for restricted purposes. The system limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

**20. FOUNDATIONS**

The accompanying financial statements include the accounts of the Southern University System Foundation, but do not include the accounts of the Southern University Shreveport Foundation or the Southern University New Orleans Foundation. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

The system has contracted with the Foundation to invest the system's Endowed Chair for Eminent Scholars endowment funds and Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education, while the Endowed Professorship Program endowment funds are established

for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base including the state matching portion and private contributions totaled \$2,609,365. At June 30, 2005, the Foundation holds in custody \$3,164,815 of Endowed Chair and Endowed Professorship endowment funds invested for the system.

Certain operating expenses of the Foundation for the year (assumed by Southern University System and included in expenses, Statement B) are summarized as follows:

Salaries and related benefits	\$194,238
Other	<u>5,386</u>
Total	<u><u>\$199,624</u></u>

### FOUNDATION DISCLOSURE

The system has contracted with the Foundation to invest the university's Endowed Chair for Eminent Scholars and Endowed Professorship endowment funds. The amount due to the system as of December 31, 2004, totaled \$3,129,919.

Also, on behalf of several departments of the Southern University Baton Rouge campus, the Foundation is maintaining funds from corporate sponsors and departmental fund raising activities. The amounts due to the departments as of December 31, 2004, totaled \$62,991.

The total amount due to the affiliate as of December 31, 2004, totaled \$3,192,910.

#### 21. DEFERRED COMPENSATION PLAN

Certain employees of the system participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report of the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

#### 22. SUBSEQUENT EVENTS

During August and September of 2005 the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. As a result of Hurricane Katrina, Southern University at New Orleans (SUNO) was unable to continue its fall 2005 semester after August 29, 2005. On September 4, SUNO moved its administrative operations to the Southern University Baton Rouge campus (SUBR) and intended to remain at SUBR until January 1, 2006, when the campus is expected to return to temporary facilities on its North Campus. The rebuilding of the SUNO's main campus is expected to be completed by summer 2006. Current estimates indicate that

approximately \$21 million in damages was done to the buildings and equipment on the campus. The power plant, which was totally destroyed, must be rebuilt.

Before Hurricane Katrina, 3,680 students were enrolled at SUNO. To continue their education, students who were enrolled at SUNO were requested to enroll at other universities as visiting students. Approximately 650 students enrolled at SUBR. Hundreds of other students enrolled at universities in the state and across the country.

Because of state budget cuts, SUNO's state funds have been reduced from \$15,599,451 to \$12,718,972. In addition, SUNO earned no self-generated funds for fall 2005 because the university had no students. Although SUNO did collect approximately \$4 million in tuition and fees before Katrina for fall 2005, it is unknown at this time if the university will be allowed to retain these funds. The university projected self-generated revenues at approximately \$2 million (based on an estimated enrollment of 1,500) for spring 2006. Actual enrollment is approximately 2,000 students.

All employees were paid through September 30, 2005. Since that time, SUNO has furloughed at least 75% of its classified employees, 50% of its unclassified employees, and 30% of its faculty. The university anticipates more furloughs effective January 1, 2006. Measures taken thus far have reduced expenditures by approximately \$1 million and if continued until June 30, 2006, should result in an additional \$2.5 million in cost reductions. The university does anticipate higher costs related to terminal pay, but it cannot project what the final amount will be at this time.

Because of the severity of these two separate events and the resulting losses sustained, it is unknown what economic impact recovery will have on state and local governmental operations and the system. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

### 23. FOUNDATION IN-KIND DONATIONS

During the fiscal year ended December 31, 2004, the Foundation received in-kind donations from the system which are recorded in revenues and expenses. The in-kind donations are summarized as follows:

Salaries and related benefits	\$78,524
Operating services	2,500
Supplies	<u>750</u>
Total	<u><u>\$81,774</u></u>

**24. FOUNDATION - DUE FROM MILLENNIUM HOUSING, LLC**

On April 3, 2004, Millennium Housing, LLC, a nonprofit organization, was established for the purpose of entering into transactions that relate to the Student Housing and Mumford Stadium capital projects. The Foundation is the sole member and manager of the LLC and shall have all powers necessary to handle the LLC's affairs which include (1) the power to acquire property in the name of the LLC; (2) borrow monies from banks and lending institutions; (3) lease, sell, and exchange the LLC property; (4) construct improvements on, demolish, and rehabilitate the LLC property; and (5) hire, employ, or contract with any management company, leasing agents, consultants, et cetera. As of December 31, 2004, the Foundation had paid certain expenses on behalf of the LLC for the Student Housing and Mumford Stadium capital projects for \$1,894,013 since inception of the LLC. The LLC will reimburse the Foundation for the related expenses upon issuance of revenue bonds.

**SCHEDULE OF PER DIEM PAID BOARD MEMBERS**

Schedule 1 presents the per diem paid board members for the year ended June 30, 2005. Members of the Southern University Board of Supervisors receive \$50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**COMBINING SCHEDULE OF NET ASSETS**

Schedule 2 presents the Combining Schedule of Net Assets, by institution.

**COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

Schedule 3 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by institution.

**COMBINING SCHEDULE OF CASH FLOWS**

Schedule 4 presents the Combining Schedule of Cash Flows, by institution.





**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members  
For the Year Ended June 30, 2005**

<u>Name</u>	<u>Amount</u>
Alexander, Angela J.	\$850
Anderson, Johnny	2,400
Atkins, Dale N.	1,300
Atkins, Quiten	650
Bell, Dottie H.	300
Belton, John F. K.	200
Bilberry, Jesse B., Jr.	650
Caiton, Richard J.	1,400
Clayton, Antonio M.	1,050
Gilliam, Sam Albert	1,550
Guidry, Walter Jr.	1,350
Hannon, Romante	100
Joseph, John	1,450
Kiefer, Anne Z.	950
Lawson, Myron K.	1,750
Miller, Louis	850
Nash, Murphy Jr.	1,050
Polk, Lea M.	1,200
Williams, Achilles	700
Total	<u><u>\$19,750</u></u>

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Net Assets, June 30, 2005**

	Board and System	Baton Rouge Campus	New Orleans Campus	Shreveport Campus	Total System
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$969,158	\$17,872,540	\$4,365,727	(\$1,225,863)	\$21,981,562
Receivables (net)	153,507	9,668,135	2,163,799	5,676,803	17,662,244
Inventories		248,043	6,859		254,902
Deferred charges and prepaid expenses	11,459	470,924	67,270	144,205	693,858
Notes receivable (net)		296,139	169,696		465,835
Other current assets		7,620		106,595	114,215
Total current assets	<u>1,134,124</u>	<u>28,563,401</u>	<u>6,773,351</u>	<u>4,701,740</u>	<u>41,172,616</u>
Noncurrent assets:					
Restricted cash and cash equivalents	598,408	9,160,943	4,787,839	562,336	15,109,526
Restricted investments		3,219,274	874,832		4,094,106
Capital assets (net)		111,396,674	16,351,063	8,047,292	135,795,029
Total noncurrent assets	<u>598,408</u>	<u>123,776,891</u>	<u>22,013,734</u>	<u>8,609,628</u>	<u>154,998,661</u>
Total assets	<u>1,732,532</u>	<u>152,340,292</u>	<u>28,787,085</u>	<u>13,311,368</u>	<u>196,171,277</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accruals	40,198	8,591,589	1,994,199	819,340	11,445,326
Deferred revenues	3,138	4,000,431	857,997	1,153,830	6,015,396
Compensated absences	1,882	376,433	60,776	22,098	461,189
Amounts held in custody for others		880,492		22,352	902,844
Bonds payable - current portion		48,353			48,353
Other current payables	250	1,130,420	57,516	176,490	1,364,676
Total current liabilities	<u>45,468</u>	<u>15,027,718</u>	<u>2,970,488</u>	<u>2,194,110</u>	<u>20,237,784</u>
Noncurrent liabilities:					
Compensated absences	471,833	9,132,497	2,290,915	1,200,496	13,095,741
Bonds payable		306,706			306,706
Total noncurrent liabilities	<u>471,833</u>	<u>9,439,203</u>	<u>2,290,915</u>	<u>1,200,496</u>	<u>13,402,447</u>
Total liabilities	<u>517,301</u>	<u>24,466,921</u>	<u>5,261,403</u>	<u>3,394,606</u>	<u>33,640,231</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt		\$111,041,615	\$16,351,063	\$8,047,292	\$135,439,970
Restricted for:					
Nonexpendable	\$379,999	4,982,024	2,421,482		7,783,505
Expendable	846,142	15,417,776	3,003,166	2,339,104	21,606,188
Unrestricted	(10,910)	(3,568,044)	1,749,971	(469,634)	(2,298,617)
<b>TOTAL NET ASSETS</b>	<u>\$1,215,231</u>	<u>\$127,873,371</u>	<u>\$23,525,682</u>	<u>\$9,916,762</u>	<u>\$162,531,046</u>

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,  
and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2005**

	Board and System	Baton Rouge Campus	New Orleans Campus	Shreveport Campus	Total System
<b>OPERATING REVENUES</b>					
Student tuition and fees (net of scholarship allowances)		\$29,938,716	\$6,123,091	\$1,124,911	\$37,186,718
Federal appropriations		2,424,681			2,424,681
Federal grants and contracts	\$430	39,269,166	13,846,712	11,938,407	65,054,715
State and local grants and contracts	1,028	1,416,445	653,978	48,335	2,119,786
Sales and services of educational departments		2,494			2,494
Auxiliary enterprise revenues (net of scholarship allowances)		12,362,844	623,927	419,017	13,405,788
Other operating revenues		2,256,566	2,384,175	67,729	4,708,470
<b>Total operating revenues</b>	<b>1,458</b>	<b>87,670,912</b>	<b>23,631,883</b>	<b>13,598,399</b>	<b>124,902,652</b>
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction		41,118,016	10,602,313	4,512,988	56,233,317
Research		5,777,913	569,254	35,554	6,382,721
Public service	68,002	5,226,787	1,088,667	458,139	6,841,595
Academic support	6,026	21,730,309	5,334,028	1,182,592	28,252,955
Student services		7,803,346	2,842,166	5,004,955	15,650,467
Institutional support	4,938,065	20,605,121	6,015,684	3,589,664	35,148,534
Operation and maintenance of plant		13,042,104	2,929,236	1,123,888	17,095,228
Depreciation		6,583,521	1,411,153	480,931	8,475,605
Scholarships and fellowships	31,550	13,874,164	5,878,306	3,565,686	23,349,706
Auxiliary enterprises		12,961,839	599,251	325,237	13,886,327
Other operating expenses	47,051	318,979	56,310	157,112	579,452
<b>Total operating expenses</b>	<b>5,090,694</b>	<b>149,042,099</b>	<b>37,326,368</b>	<b>20,436,746</b>	<b>211,895,907</b>
<b>OPERATING LOSS</b>	<b>(5,089,236)</b>	<b>(61,371,187)</b>	<b>(13,694,485)</b>	<b>(6,838,347)</b>	<b>(86,993,255)</b>
<b>NONOPERATING REVENUES (Expenses)</b>					
State appropriations	1,821,112	55,642,042	15,189,540	6,143,151	78,795,845
Gifts	54,502	876,014		85,897	1,016,413
Investment income	21,348	779,968	73,066	28,253	902,635
Interest expense		(53,938)			(53,938)
Other nonoperating revenues (expenses)	(1,403)	4,189,377		129,805	4,317,779
<b>Net nonoperating revenues</b>	<b>1,895,559</b>	<b>61,433,463</b>	<b>15,262,606</b>	<b>6,387,106</b>	<b>84,978,734</b>
<b>Loss before other revenues and expenses</b>	<b>(3,193,677)</b>	<b>62,276</b>	<b>1,568,121</b>	<b>(451,241)</b>	<b>(2,014,521)</b>
Capital appropriations		4,272,856			4,272,856
Capital grants and gifts		1,056,594			1,056,594
Additions to permanent endowment		40,000	949,696		989,696
Other additions (deductions), net	3,008,924	(2,612,587)	646,362	416,857	1,459,556
<b>Increase (decrease) in net assets</b>	<b>(184,753)</b>	<b>2,819,139</b>	<b>3,164,179</b>	<b>(34,384)</b>	<b>5,764,181</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>1,399,984</b>	<b>125,054,232</b>	<b>20,361,503</b>	<b>9,951,146</b>	<b>156,766,865</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$1,215,231</b>	<b>\$127,873,371</b>	<b>\$23,525,682</b>	<b>\$9,916,762</b>	<b>\$162,531,046</b>

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows  
For the Fiscal Year Ended June 30, 2005**

	Board and System	Baton Rouge Campus	New Orleans Campus	Shreveport Campus	Total System
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Tuition and fees		\$29,476,419	\$6,061,843	\$367,432	\$35,905,694
Grants and contracts	(\$34,077)	44,227,744	14,961,208	12,232,370	71,387,245
Payments to suppliers	(1,565,533)	(22,702,347)	(4,807,084)	(363,759)	(29,438,723)
Payments for utilities		(7,302,116)	(811,367)	(244,679)	(8,358,162)
Payments to employees	(2,815,566)	(77,803,260)	(17,440,700)	(9,779,501)	(107,839,027)
Payments for benefits	(639,900)	(16,618,077)	(4,616,653)	(2,214,344)	(24,088,974)
Payments for scholarships and fellowships	(160,704)	(14,681,439)	(5,905,347)	(6,623,091)	(27,370,581)
Loans issued to students and employees		(40,769)	4,234		(36,535)
Auxiliary enterprise charges		12,778,205	623,927	419,017	13,821,149
Sales and services of educational departments		2,494			2,494
Other receipts (payments)		2,292,499	573,757	(646,610)	2,219,646
<b>Net cash used by operating activities</b>	<b>(5,215,780)</b>	<b>(50,370,647)</b>	<b>(11,356,182)</b>	<b>(6,853,165)</b>	<b>(73,795,774)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State appropriations	1,821,112	55,642,042	15,189,540	6,143,151	78,795,845
Gifts and grants for other than capital purposes	54,502	876,014			930,516
Private gifts for endowment purposes		40,000	949,696		989,696
TOPS receipts		1,743,498	28,233	29,200	1,800,931
TOPS disbursements		(1,540,971)	(28,233)	(29,200)	(1,598,404)
Federal Family Education Loan program receipts		64,197,033	18,016,484	797,511	83,011,028
Federal Family Education Loan program disbursements		(64,197,033)	(18,016,484)	(797,511)	(83,011,028)
Other receipts (payments)	3,007,521	(2,683,696)	619,497	625,533	1,568,855
<b>Net cash provided by noncapital financing sources</b>	<b>4,883,135</b>	<b>54,076,887</b>	<b>16,758,733</b>	<b>6,768,684</b>	<b>82,487,439</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Capital appropriations received		4,272,856			4,272,856
Capital grants and gifts received		1,056,594			1,056,594
Purchases of capital assets		(1,589,808)	(995,633)	(468,255)	(3,053,696)
Principal paid on capital debt and leases		(45,353)			(45,353)
Interest paid on capital debt and leases		(53,938)			(53,938)
<b>Net cash provided (used) by capital financing activities</b>	<b>NONE</b>	<b>3,640,351</b>	<b>(995,633)</b>	<b>(468,255)</b>	<b>2,176,463</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received on investments	20,899	765,909	12,973	78,556	878,337
Purchase of investments		(370,244)			(370,244)
<b>Net cash provided for investing activities</b>	<b>20,899</b>	<b>395,665</b>	<b>12,973</b>	<b>78,556</b>	<b>508,093</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(311,746)</b>	<b>7,742,256</b>	<b>4,419,891</b>	<b>(474,180)</b>	<b>11,376,221</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,879,312</b>	<b>19,291,227</b>	<b>4,733,675</b>	<b>(189,347)</b>	<b>25,714,867</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$1,567,566</b>	<b>\$27,033,483</b>	<b>\$9,153,566</b>	<b>(\$663,527)</b>	<b>\$37,091,088</b>

(Continued)

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, 2005**

	Board and System	Baton Rouge Campus	New Orleans Campus	Shreveport Campus	Total System
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>					
Operating loss	(\$5,089,236)	(\$61,371,187)	(\$13,694,485)	(\$6,838,347)	(\$86,993,255)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense		6,583,521	1,411,153	480,931	8,475,605
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable (net)	55,068	698,605	92,073	(240,277)	605,469
(Increase) decrease in due from federal government	5,307	1,320,694	460,518	(309,679)	1,476,840
(Increase) decrease in inventories		(35,060)	2,529		(32,531)
(Increase) decrease in prepaid expenses		152,617	3,288	(9,490)	146,415
(Increase) decrease in other assets	914		5	(106,595)	(105,676)
Increase (decrease) in accounts payable	(139,056)	1,540,486	631,933	555,307	2,588,670
Increase (decrease) in deferred revenue	(95,828)	540,691	(153,321)	(517,202)	(225,660)
Increase (decrease) in compensated absences	47,051	258,537	(76,689)	152,800	381,699
Increase (decrease) in other liabilities		(59,551)	(33,186)	(20,613)	(113,350)
<b>Net cash used by operating activities</b>	<b><u>(\$5,215,780)</u></b>	<b><u>(\$50,370,647)</u></b>	<b><u>(\$11,356,182)</u></b>	<b><u>(\$6,853,165)</u></b>	<b><u>(\$73,795,774)</u></b>

(Concluded)



**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain our report on internal control over financial reporting and on compliance with laws and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

April 17, 2006

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the  
Basic Financial Statements Performed in Accordance  
With *Government Auditing Standards*

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, which collectively comprise the basic financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated April 17, 2006. We did not audit the financial statements of the Southern University System Foundation, the only discretely presented component unit of the system. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and this report, insofar as it relates to the Southern University System Foundation, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Southern University System Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Southern University System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Southern University System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

### **Insufficient Control Over Coaches' Summer Camps**

The Southern University System did not exercise sound business practices or adequate internal control while conducting the 2005 coaches' summer camps and may have violated state law. Sound business practices and good internal control would require that coaches' camps, if not administered by the university, be conducted separately from the university. Appropriate facility and equipment rental fees should be collected and university personnel conducting the camps should take leave when the camps are conducted during regular working hours. The camps should provide adequate insurance coverage so that the system is not responsible for any accidents or injuries occurring at these camps. Also, Article VII, Section 14(A) of the Louisiana Constitution states, "Prohibited Uses. Except as otherwise provided by the constitution, the funds, credit, property, or things of value of the state or of any political subdivision, shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

While the coaches retained all participation fees, which we cannot estimate since receipts did not flow through the university, the system did not collect rental fees for the use of university facilities, did not ensure that leave was taken by all coaches and assistant coaches while conducting the camps, and did not provide evidence that the camps/coaches had insurance coverage, separate from the university, including personal injury coverage. The system did not have written policies and procedures regarding facility use fees and insurance coverage for summer camps. Before approving the time sheets, the athletic department supervisors did not ensure that all coaches and assistant coaches participating in the camps submitted leave slips for the times when the camps were conducted. The public purpose for which the system allowed these camps to be held using its facilities does not appear to be commensurate with the risk of loss from injury claims and the lack of rental revenues.

Management should establish written policies and procedures to include policies for employee leave, rental charges for facilities, and adequate insurance coverage for summer camps held at the system's facilities and ensure that these policies and procedures are followed. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 1).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described previously is not a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southern University System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

### Noncompliance With State Movable Property Regulations

The Southern University System did not maintain adequate control over movable property as prescribed by law. Louisiana Administrative Code Title 34 Part VII Section 307 (A) requires all acquisitions be tagged and information reported to the Louisiana Property Assistance Agency (LPAA) within 60 days after receipt. Section 313 (A) requires that a complete physical inventory of the property owned by the agency be conducted not more than 12 calendar months after the last physical inventory. In addition, efforts must be made to locate all movable property for which there is no explanation for the disappearance.

During the examination of the system's 16,235 movable property items, valued at \$58,478,478, the following deficiencies were noted:

- The three Certifications of Annual Property Inventories, submitted by the system campuses during the fiscal year ending June 30, 2005, disclosed that the campuses were unable to locate movable property totaling \$2,719,135 (Baton Rouge campus - \$2,385,061; New Orleans campus - \$263,394; and Shreveport campus - \$70,680). Of that amount, \$916,895 was lost during the current fiscal year and \$514,100 was reported for the fourth year and therefore will be written off. Included in the value of the unlocated movable property were computers and computer-related equipment totaling \$1,710,435. In addition, the system was unable to locate \$122,123 of food service equipment, including a \$8,700 ice cream freezer; research and instructional equipment totaling \$199,731, including a \$17,300 spectrophotometer (a device for measuring light intensity as a function of the color); video and audio equipment totaling \$186,527, including a \$14,300 movie film processor; a frequency analyzer valued at \$10,359; and a fax machine valued at \$7,995.
- Of approximately \$4.6 million of movable property acquisitions, 36 items totaling \$159,407 were not reported to LPAA within the required 60 days. These items were reported to LPAA untimely, ranging from 78 to 517 days after receipt by the system. This issue was reported for the second consecutive year.

University system management has failed to develop, implement, and enforce good internal control over movable property and the inventory certification process. Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the system to noncompliance with state laws and regulations. Because of the nature of the services provided by the system, the risk exists that sensitive information could be improperly recovered from the missing computers.

University system management should strengthen internal control over movable property, strengthen procedures for conducting the physical inventory, and ensure that all property is tagged and reported timely to LPAA. Additional efforts should be made to locate missing property and develop new procedures to better secure the property. Management concurred in part with the finding and outlined a corrective plan (see Appendix A, pages 2-9).

Other external auditors audited the Southern University System Foundation. To obtain a copy of that report, you may write to:

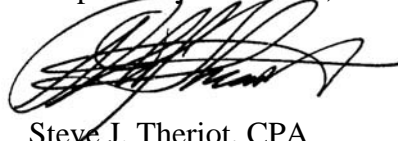
Southern University System Foundation  
P.O. Box 2468  
Baton Rouge, Louisiana 70821

Pending Issue

The Southern University System Foundation has set up a receivable for \$178,000 that is reported as an amount due from a third party, which resulted from a questionable transaction. The Foundation has estimated that this amount will not be collected and thus has established a similar amount as uncollectible. Since we did not conduct an audit of the Foundation, we have not been presented with the details surrounding this receivable or the pending action that the Foundation is taking against the third party, if any.

This report is intended solely for the information and use of the Southern University System and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

STD:WG:PEP:ss

[SU05]

Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations

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Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

March 10, 2006

Mr. Steve Theriot, CPA  
Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA. 70804-9397

**RE: Insufficient Control over Coaches' Summer Camps**

Dear Mr. Theriot:


Although the University concurs with the above referenced finding, the Summer Camps at Southern University are conducted primarily as a community service initiative to provide youth in the Baton Rouge community and surrounding areas an opportunity to visit the university campus. Participation in these camps has been traditionally minimal, which is causing us at this time to reassess the feasibility of conducting summer camps due to the low participation. If the coaches are allowed to continue their summer camps, the University will implement the following corrective actions to strengthen the controls in this area:

- Written policies and procedures will be developed and implemented to address the equipment and facility usage fees and insurance coverage. Once developed, the policies and procedures will be forwarded to the appropriate University officials for approval and adoption.
- Coaches who conduct summer camps during work hours will be required to take appropriate leave.
- Coaches who use University equipment and facilities to conduct summer camps will be required to pay the approved equipment and facility rental fees prior to using the facility.

The anticipated completion date of this corrective action plan is May 31, 2006. The point of contact for corrective action is the Director of Athletics, Mr. Greg Lefleur.

Please contact me if additional information is needed.

Sincerely,

  
Edward R. Jackson  
Interim President/SUBR Chancellor

Cc: Mr. Greg Lefleur  
Director of Athletics



**SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM**

BATON ROUGE, LOUISIANA 70813  
(225) 771-2011

Baton Rouge, New Orleans,  
Shreveport/Bossier City  
LOUISIANA

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

January 4, 2006

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
Office of the Legislative Auditor  
State of Louisiana  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Attached are the responses of the campuses of the Southern University System to your December 5, 2005 letter concerning Noncompliance with State Movable Property Regulations.

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in cursive script that reads "Edward R. Jackson".

Edward R. Jackson, Ph.D.  
Interim System President

ERJ:mwj

Attachment



Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

January 4, 2006

Steve J. Theriot, CPA  
Legislative Auditor  
Office of the Legislative Auditor  
STATE OF LOUISIANA  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Southern University and A&M College at Baton Rouge concurs in part with this finding.

The Certification of Annual Property Inventories submitted by Southern University and A&M College at Baton Rouge during the fiscal year ending June 30, 2005, disclosed that the campus was unable to locate movable property totaling \$2,385,061 over a four-year period. As a result of the University's follow-up inventory in response to the audit finding, \$890,255 of previously un-located property has been accounted for. The chart below shows the dollar value for property located and the percentage of remaining discrepancies for the university's total assets.

Fiscal Year	Discrepancies	Located Property	New Total Discrepancies	Percent of Assets
2005	\$788,844	\$396,086	\$392,758	.85 %
2004	\$653,237	\$186,611	\$466,626	1 %
2003	\$441,420	\$176,526	\$264,894	.58 %
2002	\$501,560	\$131,032	\$370,528	.81 %
<b>TOTALS</b>	<b>\$2,385,061</b>	<b>\$890,255</b>	<b>\$1,494,806</b>	

The specific items contained in the audit finding, which include an \$8,700 ice cream freezer, a \$17,300 spectrophotometer, and a \$14,300 movie film processor, have been located.

A total of \$501,560 worth of moveable property was not located in 2002. Although this amount has been written off in accordance with standard state procedures, the University has made a determined effort to locate this property. A major problem confounding this

effort has been the age for a large amount of this property. Of the reported \$501,560 worth of property reported lost or remained un-located for this year, 84% had an age of eight years or older. Of the total, approximately 40% of the property was more than ten years old. As a result, many of the items listed had little or no value if a standard depreciation schedule was used. Consequently, a majority of the property has been rendered obsolete and subsequently dismantled, scrapped or set aside by the various departments and offices as inoperable. This matter is addressed in the University's Plan for Corrective Actions to ensure that inoperable or unserviceable property are properly and expeditiously processed, documented, and disposed in accordance with state regulations.

#### **PLAN FOR CORRECTIVE ACTIONS:**

The most immediate corrective action taken to remedy the matter of lost or un-located property was conducting an inventory of the moveable property contained in the discrepancy reports for this four-year period. As depicted above, this has reduced the amount of lost or missing property substantially.

The University has also begun implementation of the following plans of corrective action to ensure accurate accountability of property and compliance with state regulations.

1. The University plans to conduct a "Property Management and Control Workshop" to be held in Spring 2006. This comprehensive workshop will focus on reviewing current policy and training department administrators and Property and Inventory Control Officers on all aspects of property management, including tagging, inventorying and transferring of university property. The University anticipates that all administrators directly involved in property management functions and designated "Property and Inventory Control Officers" will receive training prior to the next annual inventory. The current plan is to hold subsequent workshops on an annual or as needed basis to ensure responsible persons are adequately informed on property management and control procedures.
2. As previously noted, the timely and accurate accountability for university property has been hampered by the increase of inoperable and outdated equipment in need of disposal. The University will review this matter in the training sessions and will encourage the departments to review the status of equipment in their areas. The Property Management Department will work with the various university departments and offices in identifying and documenting items requiring disposal.
3. The University is exploring the use of more technical means to ensure accurate inventories. It is currently researching the most cost-effective and efficient products on the market that can provide the desired services.

The primary responsibility for implementing these plans for corrective action lies with the Associate Vice Chancellor for Facilities Operations. Within this office is the Department of Property Management, which is headed by the Property Director, who serves as the principal advisor on all issues relating to property management and control. The Office for Finance and Administration will provide oversight in the implementation of these corrective actions. The University has also added additional staff in the Chancellor's Office that will ensure compliance in the implementation of these plans for corrective action.

Sincerely,

A handwritten signature in cursive script that reads "Edward R. Jackson". The signature is written in dark ink and is positioned above the typed name.

Edward R. Jackson  
Chancellor, SUBR  
Interim President, SU System

ERJ/pcd

**SOUTHERN UNIVERSITY AT NEW ORLEANS**

SU Box 9380  
Baton Rouge, LA 70813-9380  
225-771-2981  
225-771-0012 (FAX)

*Office of the Chancellor*

December 16, 2005

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
State of Louisiana  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The following is our response to the audit finding indicted below:

**Finding: Noncompliance with Movable Property Regulations**

- Southern University at New Orleans concurs with the Audit Finding sighting Noncompliance with Movable Property Regulations

**Corrective Action:**

The following actions will be taken to ensure compliance with movable property regulations that require reporting the acquisition of a piece of equipment within the 60 days:

- The university will review the overall procedures used to update the Protégé Property System master file to ensure that the 60-day reporting requirement is met. The university will ensure that all receiving reports are processed through the Property Control Office Central Stores Office before payments are made to vendors so that the Property Office is alerted to proceed with tagging of property and updating of the master file.

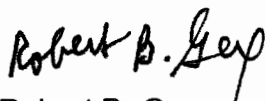
- The Certification of Annual Property Inventory for 2002, 2003, 2004, and 2005 indicate thirty three items (33) valued at \$70,680 were unlocated. Twenty six (26) items were personal computer valued at \$53,377, eleven (11) of the personal computer valued at \$19,402 were reported as stolen and campus police reports are available. The university Property Manager when conducting this year Annual Property Inventory will look intense for the other fourteen (14) personal computers valued at \$32,408 and seven (7) other items of property/equipment valued at \$17,303 not located for the past three years.

The University will review the overall Property and Procedures Regulations and implement corrective actions to comply with the Office of Technology policy requiring the use of government accepted methods of data removal prior to disposal or transfer of an asset. The following actions will be taken:

- A policy for Disposal and Transfer of Computers/Equipments that was damaged in Hurricane Katrina. The Office of Property Control Manager, John Sullivan must be notified in writing of all property/equipment off campus that was damage due to the Hurricane. Property that was damage due to Hurricane Katrina must be return to John Sullivan, Property Control Manager for proper disposal.
- All employees that had property/equipment off campus must report condition of their property/equipment (computer, laptops, camera, etc.) to the Property Manager.

Please let me know if you have any questions or need additional information.

Sincerely,



Robert B. Gex  
Chancellor

/r

pc: Mrs. Gloria Matthews  
Mr. John Sullivan

TO: Dr. Edward Jackson, Interim President  
Southern University System

FROM: Ray L. Belton, Ph.D.  
Chancellor

DATE: January 4, 2006

***RE: MOVEABLE PROPERTY***

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Per your request, we are transmitting the attached audit response relative to movable property. If I can be of further assistance, please do not hesitate to contact me.

RLB/cw

Attachment

cc: Mr. Tolor White  
Mr. Benjamin W. Pugh



**Southern University-Shreveport**  
**Response to Legislative Audit Findings**

**FY 2004-05**

**Finding:**

Unlocated and Untimely Reported Moveable Property

**Correction Action:**

The University concurs with the finding listing above relative to moveable property. The University has performed a mid-year physical inventory, which has resulted in the location of fifty-four thousand seven hundred sixty-one dollars (\$54,761) in moveable property, which was previously reported in its certification of Annual Property Inventory as unlocated.

The University will review and strengthen internal control procedures for conducting the physical inventory of moveable property and continue efforts to locate moveable property previously reported as unlocated. Additionally, the University transferred an additional staff member at the beginning of fiscal year 2005-06 to assist the property manager who previously ran a one (1) person shop responsible for shipping and receiving, fleet management, safety coordination, and warehouse supervision in addition to property management.

The University will address the need for additional clerical staff to ensure accurate and timely reporting of movable property acquisitions as required by LPAA guidelines. The Internal Auditor's office has also been assigned to assist property personnel to ensure compliance with university, system, and state property guidelines.

**Responsible Persons:**

Benjamin W. Pugh, Vice Chancellor for Fiscal Affairs  
Eddie Boxley, Property Manager

**Anticipated Completion Date:**

June 30, 2006